

**Docket Nos:** 03-0398-0402 (consol.)

**Bench Date:** 4/7/04

**Deadline:** 5/18/04

**M E M O R A N D U M**

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**TO:** The Commission

**FROM:** Claudia E. Sainsot, Administrative Law Judge

**DATE:** March 22, 2004

**SUBJECT:** Cedar Bluff Utilities, Inc. et. al., (*consol.*)

Proposed general increase in water and/or sewer rates.

**RECOMMENDATION:** Enter the attached Order Approving Rate Increases.

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On May 2, 2003, and on May 20, 2003, five UI subsidiaries (collectively, "the Companies") filed revised tariff sheets and accompanying testimony, proposing a general increase in water rates. I granted Staff's motion to consolidate these dockets, as these proceedings primarily presented issues that were common to all five Companies. Together, these five Companies provide water and/or sewer service to approximately 1,500 customers in various Illinois counties.

Staff proposed various adjustments to the Company's rate base, expenses and like items. The Companies agreed to all of Staff's recommended changes, except the three set forth below.

**Rate Case Expense (pp. 5-7)**

Recently, the Commission approved a three-year amortization period for rate case expense in *Del Mar Water Company*, (Docket No. 02-0592) and *Lake Wildwood Utilities* (Docket 01-0663). Del Mar Water and Lake Wildwood are UI subsidiaries. Staff contended that the length of time since the last rate case filing for each of the Companies here was five years. Staff concluded that therefore, the Companies ought to amortize rate case expense over five years.

The attached Order disagrees with Staff's recommendation that the Companies should be required to amortize rate case expense over five years. The Companies presented evidence establishing that UI companies have recently experienced a surge in costs, such as health insurance, and Staff presented no evidence indicating that this evidence was incorrect or inaccurate. Also, the *Del Mar* and *Lake Wildwood* rate cases, in

which rate case expense was amortized over three years, is some indicia that increasing costs that UI Companies, in general, are experiencing will result in another rate case within three years, not five years.

**Adjustments for Cedar Bluff Utilities, Inc. to Amortize a Claim Made by an Insurance Company (pp. 7-8)**

Cedar Bluff Utilities, Inc. ("Cedar Bluff") sought to recover \$4,478 in operating expense for a claim that was paid by Cedar Bluff to an insurance company during the test year. This claim resulted from sewer backup that damaged real property. Staff contended that this item should be amortized over five years, as it was a unique expense. Staff opined that because this claim was unique, it was not a normal recurring expenditure for the period in which the rates will be in effect. The attached Order agrees with Staff that this claim is an atypical expense that is not representative of Cedar Bluffs' O & M expenses. It requires Cedar Bluff to amortize this expense over five Years.

**Continuing Property Records (pp.18-22)**

This issue does not concern financial matters. Instead, at issue are the Companies' record-keeping procedures. Staff sought a requirement in the Order that the Companies keep continuing property records, as is required by Sections 605(a) and 615 of the Commission's Rules. (83 Ill. Adm. Code 605(a)). In the past, the Commission has required Utilities, Inc., Companies to maintain continuing property records, and it has not done so, in violation of previous Commission orders. The Companies argued that, in order to maintain continuing property records, they would be forced to hire two full-time bookkeepers, which, these Companies did not want to do. Staff contended that any additional personnel expense incurred can be allocated amongst the 25 Illinois UI Companies.

The attached requires the Companies to maintain continuing property records. It notes that while initially, there will be additional work involved in maintaining continuing property records, that work, in years to come, will reap benefits for the Companies, as, in the future, the Companies will be better able to document items like what the Companies seek to include in Utility Plant. It also concludes that the evidence the Companies presented regarding its claim that it will have to hire two full-time bookkeepers lacked the requisite factual foundation necessary for a trier of fact to give it weight, as there was no evidence as to how this witness reached this conclusion.

Accordingly, I recommend that the Commission enter the attached Order.

CS:fs